3-Statement Modeling

Term	Definition
3-Statement Model	A financial model that integrates the income statement, balance sheet, and cash flow statement into one cohesive model.
Assumptions and Drivers	Input variables that forecast financial performance, including growth rates, margins, and turnover ratios.
Income Statement	A financial report that shows a company's revenues, expenses, and profits over a specific period.
Balance Sheet	A financial statement showing a company's assets, liabilities, and equity at a specific point in time.
Cash Flow Statement	A statement that summarizes the amount of cash entering and leaving a company, classified into operating, investing, and financing activities.
Supporting Schedules	Detailed calculations that support and feed into the main financial statements, such as PP&E, debt, and retained earnings.
Capital Expenditures (CapEx)	Funds used by a company to acquire or upgrade physical assets such as property, plants, or equipment.
Depreciation and Amortization (D&A)	Non-cash accounting methods to allocate the cost of tangible and intangible assets over their useful lives.
Working Capital	A measure of a company's operational efficiency, calculated as current assets minus current liabilities.
Accounts Receivable Days	The average number of days it takes a company to collect payment after a sale.
Inventory Days	The average number of days inventory is held before being sold or used.

Accounts Payable Days	The average number of days a company takes to pay its suppliers.
Capital Asset Turnover	A ratio that measures how efficiently a company uses its fixed assets to generate revenue.
Net Present Value (NPV)	The value of future cash flows discounted back to the present using a discount rate.
Discounted Cash Flow (DCF)	A valuation method using projected future cash flows and discounting them to the present value.
EBITDA	Earnings before interest, taxes, depreciation, and amortization, used to measure operating performance.
Operating Leverage	A measure of how revenue growth translates into operating income due to fixed and variable cost structure.
Forecasting Methods	Techniques used to predict future financial outcomes, such as top-down, bottom-up, regression, or year-over-year growth.
Circular References	Situations in financial modeling where a formula depends on its own result, often resolved with iterative calculation.
Iterative Calculation	An Excel function used to resolve circular references by repeatedly recalculating until a solution is found.